

Message Text

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15

ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /090 W

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R 130555Z AUG 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 1516

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

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E.O. 11652: N/A

TAGS: EFIN, EAID, PK

SUBJECT: PROBLEMS WITH DEVELOPMENT OF MARI GAS FIELD

REFERENCE: (A) ISLAMABAD 6806

(B) STATE 188938

SUMMARY: ACCORDING ESSO RESIDENT REP, GOP DOES NOT NOW
PLAN TO SEND AN OFFICIAL LETTER TO ESSO EASTERN TRANS-
MITTING GOP DECISION REJECTING ESSO PACKAGE OFFER.
INSTEAD ESSO REP HAS BEEN INVITED TO BEGIN DISCUSSIONS
WITH FUELS AND INDUSTRIES MINISTRIES TO WORK OUT SOME
SOLUTION. ESSO REP FEARS THAT SOLUTION GOP MAY WISH TO
PROPOSE IS SOME SORT OF TRADE-OFF OF GOP CONCESSIONS
TO ESSO FERTILIZER IN RETURN FOR ESSO MAKING INVESTMENT
IN MARI FIELD. EMBASSY SUGGESTED THAT ESSO EASTERN
REPS MEET WITH EMBASSY AT EARLY DATE TO DISCUSS STRATEGY.
END SUMMARY.

1. AKBAR MIRZA, ESSO ISLAMABAD REPRESENTATIVE, BROUGHT
THE EMBASSY UP TO DATE AUGUST 8 ON THE STATUS OF ESSO'S
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NEGOTIATIONS WITH THE GOP ON THE DEVELOPMENT OF MARI

GAS FIELD.

2. MIRZA HAD MET WITH FUELS SECRETARY H. U. BEG ON AUGUST 6, AND HAD BEEN TOLD NOT TO EXPECT A WRITTEN COMMUNICATION ON THE GOVERNMENT'S TURNDOWN OF THE ESSO OFFER. BEG ALLEGED THAT THE MINUTES OF THE ECC MEETING DID NOT PROVIDE THE BASIS FOR A CLEAR LETTER TO ESSO. INSTEAD BEG ASKED MIRZA TO MAKE AN APPOINTMENT TO SEE HIM THIS WEEK TO DISCUSS FURTHER THE MARI FIELD. IN A PARALLEL MOVE, INDUSTRIES SECRETARY, N. N. A. KURESHI, R LSO INVITED MIRZA TO MEET WITH HIM, AND MIRZA BELIEVES THESE MOVES MAY BE LINKED.

3. FROM RECENT CONVERSATIONS MIRZA HAS HAD WITH BEG AND KURESHI AND FROM A CONVERSATION LAST WEEK IN KARACHI BETWEEN ESSO FERTILIZER REP DIMMICK AND GOP P.M. SPECIAL ASSISTANT FERROZE KAISER, MIRZA BELIEVES THAT THE GOP MAY WISH TO LINK THE DISCUSSIONS ON ESSO'S DEVELOPMENT OF THE MARI FIELD WITH THE OUTCOME OF ESSO FERTILIZER'S EFFORTS TO OBTAIN RELIEF FROM THE GAS EXCISE DUTY. MIRZA SUSPECTS THAT THE GOP PLOY MAY BE TO OFFER RELIEF TO ESSO FERTILIZER IF ESSO EASTERN INVESTS IN MARI FIELD. AS FAR AS ESSO IS CONCERNED, THE TWO ISSUES ARE ENTIRELY SEPARATE. ESSO FERTILIZER AND ESSO EASTERN REPORT THROUGH SEPARATE BUREAUCRATIC CHAINS IN EXXON.

4. MIRZA SAID THAT IT SEEMS CLEAR THAT THE GOP IS NOT INTERESTED IN PURCHASING ESSO'S MARKETING ASSETS. THE GOVERNMENT ARGUES THAT PAYING FOR EXISTING ASSETS WOULD NOT EXPAND THE COUNTRY'S PRODUCTIVE CAPACITY, AND WOULD THUS BE A WASTE OF GOP RESOURCES. IT ALSO CLAIMS TO FEAR THE EFFECT ON THE INVESTMENT CLIMATE OF SUCH A MAJOR "DISINVESTMENT". ESSO DISCOUNTS THE LATTER ARGUMENT, HAVING OFFERED TO JOIN THE GOP IN A PR CAMPAIGN TO EXPLAIN THAT ESSO IS NOT DISINVESTING BUT RESTRUCTURING ITS POSITION IF THE DEAL GOES THROUGH.

5. THE FINANCIAL DETAILS OF THE ESSO PACKAGE, AS DESCRIBED BY MIRZA, WERE SLIGHTLY DIFFERENT FROM THOSE GIVEN IN REF LIMITED OFFICIAL USE

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B PARA 2. TOTAL DEVELOPMENT COSTS FOR MARI FIELD WERE ESTIMATED AT \$12 MILLION. THE GOP WOULD HAVE TO PUT UP FOREIGN EXCHANGE FOR VIRTUALLY THE ENTIRE AMOUNT, SINCE ESSO WOULD USE THE PROCEEDS OF THE REFINERY/DISTRIBUTION SALE FOR ITS 51 PERCENT SHARE OF THE COST OF DEVELOPING MARI FIELD.

6. THESE NEGOTIATIONS HAVE NOW DRAGGED ON FOR TWO YEARS,

AND WE AND ESSO ARE EAGER TO RESOLVE THEM IN TIME TO AVOID DELAYS IN THE FERTILIZER PROJECTS WHICH WILL DEPEND ON MARI (WE BELIEVE THAT A DECISION BY JANUARY 1976 IS ESSENTIAL).

7. MIRZA FLOATED WITH EMBASSY THE IDEA OF AN ESSO DEMARCHE. TO PM BHUTTO. ECONOMIC/COMMERCIAL COUNSELOR RESPONDED THAT THIS WOULD BE PREMATURE. HE SUGGESTED INSTEAD THAT ESSO EASTERN REPS MEET WITH THE AMBASSADOR AS SOON AS POSSIBLE TO GO OVER THE BEST STRATEGY FOR RESOLVING THE ISSUES QUICKLY. THIS MEETING IS NOW SCHEDULED FOR EARLY NEXT WEEK.

8. WE PREFER THIS TIMETABLE TO DEPARTMENT'S SUGGESTION OF APPROACH TO FINANCE MINISTRY. THERE ARE SO MANY IMPORTANT PARTIES INVOLVED IN THIS ISSUE (INCLUDING AT LEAST THREE GOP MINISTRIES OTHER THAN FINANCE - FUELS, INDUSTRIES AND PRODUCTION) THAT NO SINGLE POINT IN THE BUREAUCRACY IS LIKELY TO HAVE THE DEFINITIVE WORD ON WHAT IS HAPPENING. MOREOVER, GIVEN THE COMPLEXITY OF THE US INTERESTS INVOLVED - TWO MULTINATIONAL FIRMS, AID'S INVOLVEMENT IN THE FAUJI/AGRICO FERTILIZER PROJECT - WE THINK IS IMPORTANT THAT OUR APPROACH BE CAREFULLY COORDINATED OUT HERE. WE WILL REPORT THE OUTCOME OF OUR STRATEGY SESSION.
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